




TO: Senator Dean Johnson  
Representative Harry Mares  
Senator Lawrence Pogemiller

FROM: Lawrence A. Martin, Executive Director 

RE: Summary of Draft Amendment LCPR01-130: PERA; Funding Increases and Provisions

DATE: March 22, 2001

### Summary of Draft Amendment LCPR01-130

Draft Amendment LCPR01-130 amends various provisions of Minnesota Statutes, Chapter 353, relating to the Public Employees Retirement Association (PERA), and Chapter 356, relating to public retirement generally, by making the following changes with respect to the General Employee Retirement Plan of the Public Employees Retirement Association (PERA-General).

1. Transferring School District Employees From PERA to TRA. Non-teaching school district employees are transferred from retirement coverage by PERA-General to retirement coverage by the Teachers Retirement Association (TRA), with a transfer of all prior service liabilities and of assets equal to 86.31 percent of the liability transfer (Article 1, Sections 3, 4, 5, 6, 7, 8, 9, 10, and 11);
2. Expansion of PERA-General Membership Eligibility. The PERA-General membership is expanded to include virtually all local governmental employees, by eliminating the exclusion of part-time employees with less than \$425 per month salaries and by making PERA-General membership mandatory rather than optional for local elected officials (Article 1, Sections 3 and 4);
3. The Actuarial Value of Assets is Redefined. The current actuarial value of assets, which was redefined to utilize a five year averaging process in 2000, would be redefined as market value (Article 2, Section 1);
4. Extended Amortization Target Date. The current 2024 amortization target date for eliminating the PERA-General unfunded actuarial accrued liability is extended seven years, to 2031 but the extension is scaled back as the PERA-General funding ratio improves toward 100 percent (Article 2, Section 2);
5. Direct PERA Aid; Redirection of MSRS-General and TRA Employer Contribution Rate Reductions. The General State Employees Retirement Plan of the Minnesota State Retirement System (MSRS-General) employer contribution rate is reduced by 0.45 percent of pay and the Teachers Retirement Association (TRA) employer contribution rate is reduced by 0.50 percent of pay, and the Minneapolis Employees Retirement Fund (MERF) State aid is repealed, reflecting the presumed positive impact of the redefinition of the actuarial value of assets to market value. The State agency appropriations or education aid associated with the employer contribution reductions, totaling \$24.5 million annually, is paid to PERA-General as a direct state aid. Additionally, there would be a \$5 million General Fund appropriation added to the redirected contribution amounts to bring the direct State aid to PERA-General amount to \$29.5 million (Article 3);
6. PERA-General Member and Employer Contribution Increases. The PERA-General member contribution rates are increased in two parts (by July 1, 2001, and July 1, 2002) by a total of 0.20 percent of pay and the PERA-General employer contribution rates are increased in two parts (January 1, 2002, and January 1, 2003) by a total of 0.20 percent of pay (Article 4, Sections 1 and 2);
7. PERA-General Retirees Charged Administrative Expense Assessment. The PERA-General retired members would be required to pay a portion (41 percent) of the PERA-General administrative expense, equaling 0.10 percent of retirement benefit payments, reflecting their additions to PERA-General administrative expense related to immediate pre-retirement counseling, retirement application processing, regular tax withholding and reporting, and annuity payment (Article 4, Section 3);
8. PERA-General Benefit Calculation Service Credit Proration For Part-Time Employment. For PERA members who are employed for less than 75 percent of full time, their service credit for benefit calculation purposes, termed "formula service," will be prorated based on its percentage of full-time

employment, while the current “allowable service” practices would continue for vesting purposes (Article 5);

9. Implementation Study for MSRS-General/PERA/TRA Administrative Consolidation. MSRS-General, PERA, and TRA are required to prepare a detailed implementation report on a plan to affect a consolidation of the administrations of these systems, to be filed by February 15, 2002 (Article 6, Section 1); and
10. Implementation Study for Public Education Employee Retirement Plan Aggregation. TRA and the three first class city teacher retirement fund associations are required to prepare a detailed implementation report on a plan to aggregate the four retirement plans, to be filed by February 15, 2002 (Article 6, Section 2).

Potential Actuarial Funding Impact of Draft Amendment LCPR01-130

Draft Amendment LCPR01-130 attempts to cover the funding deficiency of the General Employee Retirement Plan of the Public Employees Retirement Association (PERA-General), as of July 1, 2000, as follows:

Target Funding Deficiency

|  |                     |                |
|--|---------------------|----------------|
| July 1, 2000, PERA-General funding deficiency: | 1.96 percent of pay | \$70.4 million |
|--|---------------------|----------------|

Likely Actuarial Cost Impact of LCPR01-130

|  |                       |                  |
|--|-----------------------|------------------|
| 1. School District Employee Transfer to TRA  | N/A                   | N/A              |
| 2. Actuarial Value of Assets Redefinition (two-thirds of the July 1, 2000, value change):          | (0.35 percent of pay) | (\$12.7 million) |
| 3. Amortization Target Date Extension:   | (0.36 percent of pay) | (\$13.0 million) |
| 4. Direct PERA State Aid; Redirection of MSRS-General, TRA, and MERF Contribution Rate Reductions: | (0.68 percent of pay) | (\$24.5 million) |
| 5. Direct PERA State Aid; Additional State General Fund Appropriation                              | (0.14 percent of pay) | (\$5.0 million)  |
| 6. PERA-General Member and Employer Contribution Rate Increases:                                   | (0.40 percent of pay) | (\$14.4 million) |
| 7. PERA-General Retiree Administrative Expense Assessment:   | (0.10 percent of pay) | (\$3.6 million)  |
| 8. PERA-General Service Credit Proration For Part-Time Employees:                                  | (0.30 percent of pay) | (\$10.8 million) |
| Total  | (2.33 percent of pay) | (\$84 million)   |

Because some of the provisions proposed to address the PERA-General funding deficiency are delayed, total reductions of 119 percent of the target would provide an appropriate margin to cover the adverse impact of the phase-ins, a further erosion of investment markets, or to cover inaccuracies in estimates.

1 M ..... moves to amend S.F. No. ; H.F. No.  
2 , as follows:

3 Delete everything after the enacting clause and insert:

4 ARTICLE 1

5 MEMBERSHIP AND COVERAGE CHANGES

6 Section 1. Minnesota Statutes 2000, section 353.01,  
7 subdivision 1, is amended to read:

8 Subdivision 1. [TERMS.] Unless the language or context  
9 clearly indicates that a different meaning is intended, each of  
10 the following terms, for the purposes of this chapter, ~~shall~~  
11 be have the meaning given the-meanings-subjoined-to-them it.

12 Sec. 2. Minnesota Statutes 2000, section 353.01,  
13 subdivision 2, is amended to read:

14 Subd. 2. [PUBLIC EMPLOYEE.] "Public employee" means an  
15 employee performing personal services for a governmental  
16 subdivision ~~under~~ as defined in subdivision 6, whose salary is  
17 paid, in whole or in part, from revenue derived from taxation,  
18 fees, assessments, or from other sources. The term also  
19 includes the special classes of persons listed in subdivision  
20 2a, but excludes the special classes of persons listed in  
21 subdivision 2b for purposes of membership in the  
22 association. ~~Public-employee~~ The term does not include  
23 independent contractors and their employees. A reemployed  
24 annuitant under section 353.37 must not be considered to be a

1 public employee for purposes of that reemployment.

2 Sec. 3. Minnesota Statutes 2000, section 353.01,  
3 subdivision 2a, is amended to read:

4 Subd. 2a. [INCLUDED EMPLOYEES.] (a) Public employees whose  
5 ~~salary from one governmental subdivision exceeds \$425 in any~~  
6 ~~month~~ shall participate as members of the association. ~~If the~~  
7 ~~salary of an employee is less than \$425 in a subsequent month,~~  
8 ~~the employee retains membership eligibility.~~

9 (b) The following persons are considered public employees:

10 (1) ~~employees whose annual salary from one governmental~~  
11 ~~subdivision exceeds a stipulation prepared in advance, in~~  
12 ~~writing, to be not more than \$5,100 per calendar year or per~~  
13 ~~school year for school employees for employment expected to be~~  
14 ~~of a full year's duration or more than the prorated portion of~~  
15 ~~\$5,100 per employment period expected to be of less than a full~~  
16 ~~year's duration. -- If compensation from one governmental~~  
17 ~~subdivision to an employee under this clause exceeds \$5,100 per~~  
18 ~~calendar year or school year after being stipulated in advance~~  
19 ~~not to exceed that amount, the stipulation is no longer valid~~  
20 ~~and contributions must be made on behalf of the employee under~~  
21 ~~section 353.27, subdivision 12, from the month in which the~~  
22 ~~employee's salary first exceeded \$425;~~

23 (2) ~~employees whose total salary from concurrent~~  
24 ~~nontemporary positions in one governmental subdivision exceeds~~  
25 ~~\$425 in any month;~~

26 (3) ~~elect~~ elected officers for service to which they were elected  
27 by the public-at-large, or persons appointed to fill a vacancy  
28 in an elective office, ~~who elect to participate by filing an~~  
29 ~~application for membership,~~ but not for service on a joint or  
30 regional board that is a governmental subdivision under as  
31 defined in subdivision 6, paragraph (a), ~~unless the salary~~  
32 ~~earned for that service exceeds \$425 in any month. -- The option~~  
33 ~~to become a member, once exercised, may not be withdrawn during~~  
34 ~~the incumbency of the person in office;~~

35 (4) (2) members who are appointed by the governor to be a  
36 state department head and who elect not to be covered by the

1 general state employees retirement plan or by the unclassified  
2 employees retirement program of the Minnesota state retirement  
3 system under section 352.021, subdivision 3;

4 ~~(5)~~ (3) employees of elected officers;

5 ~~(6)~~ (4) persons who elect to remain members under section  
6 480.181, subdivision 2;

7 ~~(7)-employees-of-a-school-district-who-receive-separate~~  
8 ~~salaries-for-driving-their-own-buses;~~

9 ~~(8)-employees-of-the-Minnesota-association-of-townships~~  
10 ~~when-the-board-of-the-association,-at-its-option,-certifies-to~~  
11 ~~the-executive-director-that-its-employees-are-to-be-included-for~~  
12 ~~purposes-of-retirement-coverage,-in-which-case-coverage-of-all~~  
13 ~~employees-of-the-association-is-permanent;~~

14 (9) (5) employees of a county historical society who are  
15 county employees;

16 ~~(10)~~ (6) employees of a county historical society located  
17 in the county ~~whom~~ where the county, at its option, ~~certifies~~  
18 certified prior to March 1, 2001, to the executive director to  
19 be county employees for purposes of retirement coverage under  
20 this chapter, ~~which-status-must-be-accorded-to-all-similarly~~  
21 ~~situated-county-historical-society-employees-and,-once~~  
22 ~~established,-must-continue-as-long-as-a-person-is-an-employee-of~~  
23 ~~the-county-historical-society-and-is-not-excluded-under~~  
24 ~~subdivision-2b;~~ and

25 ~~(11)~~ (7) employees who became members before July 1, 1988,  
26 based on the total salary of employment positions that they held  
27 in more than one governmental subdivision.

28 Sec. 4. Minnesota Statutes 2000, section 353.01,  
29 subdivision 2b, is amended to read:

30 Subd. 2b. [EXCLUDED EMPLOYEES.] The following public  
31 employees ~~shall~~ may not participate as members of the  
32 association with retirement coverage by the general employees  
33 retirement plan of the public employees retirement plan  
34 association, or the public employees police and fire retirement  
35 plan:

36 (1) ~~elected-public-officers,-or-persons-appointed-to-fill-a~~

1 ~~vacancy-in-an-elective-office,-who-do-not-elect-to-participate~~  
2 ~~in-the-association-by-filing-an-application-for-membership,~~

3 {2} election officers;

4 {3} (2) patient and inmate personnel who perform services  
5 in charitable, penal, or correctional institutions of a  
6 governmental subdivision;

7 {4} (3) employees who are hired for a temporary position  
8 under subdivision 12a, and employees who resign from a  
9 nontemporary position and accept a temporary position within 30  
10 days in the same governmental subdivision, but not those  
11 employees who are hired for an unlimited period but are serving  
12 a probationary period. If the period of employment extends  
13 beyond six consecutive months ~~and-the-employee-earns-more-than~~  
14 ~~\$425-from-one-governmental-subdivision-in-any-one-calendar~~  
15 ~~month,~~ the department head shall report the employee for  
16 membership and require employee deductions be made on behalf of  
17 the employee under section 353.27, subdivision 4.

18 The membership eligibility of an employee who resigns or is  
19 dismissed from a temporary position and within 30 days accepts  
20 another temporary position in the same governmental subdivision  
21 is determined on the total length of employment rather than on  
22 each separate position. Membership eligibility of an employee  
23 who holds concurrent temporary and nontemporary positions in one  
24 governmental subdivision is determined by the length of  
25 employment and salary of each separate position;

26 {5} ~~employees-whose-actual-salary-from-one-governmental~~  
27 ~~subdivision-does-not-exceed-\$425-per-month,-or-whose-annual~~  
28 ~~salary-from-one-governmental-subdivision-does-not-exceed-a~~  
29 ~~stipulation-prepared-in-advance,-in-writing,-that-the-salary~~  
30 ~~must-not-exceed-\$5,100-per-calendar-year-or-per-school-year-for~~  
31 ~~school-employees-for-employment-expected-to-be-of-a-full-year's~~  
32 ~~duration-or-more-than-the-prorated-portion-of-\$5,100-per~~  
33 ~~employment-period-for-employment-expected-to-be-of-less-than-a~~  
34 ~~full-year's-duration,~~

35 {6} (4) employees who are employed by reason of work  
36 emergency caused by fire, flood, storm, or similar disaster;

1       ~~(7)~~ (5) employees who by virtue of their employment in one  
2 governmental subdivision are required by law to be a member of  
3 and to contribute to any of the plans ~~or-funds~~ administered by  
4 the Minnesota state retirement system, the teachers retirement  
5 association, the Duluth teachers retirement fund association,  
6 the Minneapolis teachers retirement association, the St. Paul  
7 teachers retirement fund association, the Minneapolis employees  
8 retirement fund, or any police or firefighters relief  
9 association governed by section 69.77 that has not consolidated  
10 with the public employees retirement association, or any local  
11 police or firefighters consolidation account but who have not  
12 elected the type of benefit coverage provided by the public  
13 employees police and fire fund under sections 353A.01 to  
14 353A.10, or any persons covered by section 353.665, subdivision  
15 4, 5, or 6, who have not elected public employees police and  
16 fire plan benefit coverage. This clause must not be construed  
17 to prevent a person from being a member of and contributing to  
18 the public employees retirement association and also belonging  
19 to and contributing to another public pension fund for other  
20 service occurring during the same period of time. A person who  
21 meets the definition of "public employee" in subdivision 2 by  
22 virtue of other service occurring during the same period of time  
23 becomes a member of the association unless contributions are  
24 made to another public retirement fund on the salary based on  
25 the other service ~~or-to-the-teachers-retirement-association-by-a~~  
26 ~~teacher-as-defined-in-section-354.05,-subdivision-2;~~

27       ~~(8)~~ (6) persons who are excluded from coverage under the  
28 federal Old Age, Survivors, Disability, and Health Insurance  
29 Program for the performance of service as specified in United  
30 States Code, title 42, section 410(a)(8)(A), as amended through  
31 January 1, 1987, if no irrevocable election of coverage has been  
32 made under section 3121(r) of the Internal Revenue Code of 1954,  
33 as amended;

34       ~~(9)~~ (7) full-time students who are enrolled and are  
35 regularly attending classes at an accredited school, college, or  
36 university and who are part-time employees as defined by a

1 governmental subdivision;

2 ~~(10)~~ (8) resident physicians, medical interns, and  
3 pharmacist residents and pharmacist interns who are serving in a  
4 degree or residency program in public hospitals;

5 ~~(11)~~ (9) students who are serving in an internship or  
6 residency program sponsored by an accredited educational  
7 institution;

8 ~~(12)~~ (10) persons who hold a part-time adult supplementary  
9 technical college license who render part-time teaching service  
10 in a technical college;

11 ~~(13)~~ (11) foreign citizens working for a governmental  
12 subdivision with a work permit of less than three years, or an  
13 H-1b visa valid for less than three years of employment. Upon  
14 notice to the association that the work permit or visa extends  
15 beyond the three-year period, the foreign citizens are eligible  
16 for membership from the date of the extension;

17 ~~(14)~~ (12) public hospital employees who elected not to  
18 participate as members of the association before 1972 and who  
19 did not elect to participate from July 1, 1988, to October 1,  
20 1988;

21 ~~(15)~~ (13) except as provided in section 353.86, volunteer  
22 ambulance service personnel, as defined in subdivision 35, but  
23 persons who serve as volunteer ambulance service personnel may  
24 still qualify as public employees under subdivision 2 and may be  
25 members of the public employees retirement association and  
26 participants in the public employees retirement fund or the  
27 public employees police and fire fund, whichever applies, on the  
28 basis of compensation received from public employment service  
29 other than service as volunteer ambulance service personnel;

30 ~~(16)~~ (14) except as provided in section 353.87, volunteer  
31 firefighters, as defined in subdivision 36, engaging in  
32 activities undertaken as part of volunteer firefighter duties;  
33 provided that a person who is a volunteer firefighter may still  
34 qualify as a public employee under subdivision 2 and may be a  
35 member of the public employees retirement association and a  
36 participant in the public employees retirement fund or the



1 public employees police and fire fund, whichever applies, on the  
2 basis of compensation received from public employment activities  
3 other than those as a volunteer firefighter;

4 ~~{17}--pipefitters-and-associated-trades-personnel-employed~~  
5 ~~by-independent-school-district-No--6257-St--Paul,-with-coverage~~  
6 ~~by-the-pipefitters-local-455-chapter-241,-article-2,-section-12,~~  
7 and

8 ~~{18}~~ (15) electrical workers, plumbers, carpenters, and  
9 associated trades personnel employed by ~~independent-school~~  
10 ~~district-No--6257-St--Paul,-or~~ the city of St. Paul, ~~with who~~  
11 have retirement coverage by the electrical workers local 110  
12 pension plan, the united association plumbers local 34 pension  
13 plan, or the carpenters local 87 pension plan under a collective  
14 bargaining agreement who were either first employed after May 1,  
15 2000, or, if first employed before May 2, 2000, elected to be  
16 excluded under Laws 2000, chapter 461, article 7, section 5; and

17 (16) employees of a common school district as defined in  
18 section 120A.05, subdivision 5, an independent school district  
19 as defined in section 120A.05, subdivision 10, a special school  
20 district as defined in section 120A.05, subdivision 14, any  
21 instrumentality of a common, independent, or special school  
22 district, or any governmental entity composed wholly of  
23 common, independent, or special school districts.

24 Sec. 5. Minnesota Statutes 2000, section 353.01,  
25 subdivision 6, is amended to read:

26 Subd. 6. [GOVERNMENTAL SUBDIVISION.] (a) "Governmental  
27 subdivision" means a county, city, or town, ~~school-district~~  
28 within this state, or a department or unit of state government,  
29 or any public body whose revenues are derived from taxation,  
30 fees, assessments or from other sources.

31 (b) Governmental subdivision also means the public  
32 employees retirement association, the league of Minnesota  
33 cities, the association of metropolitan municipalities, public  
34 hospitals owned or operated by, or an integral part of, a  
35 governmental subdivision or governmental subdivisions, the  
36 association of Minnesota counties, the metropolitan intercounty

1 association, the Minnesota municipal utilities association, the  
2 metropolitan airports commission, the Minneapolis employees  
3 retirement fund for employment initially commenced after June  
4 30, 1979, the range association of municipalities and schools,  
5 soil and water conservation districts, and economic development  
6 authorities created or operating under sections 469.090 to  
7 469.108.

8 (c) Governmental subdivision does not mean a school  
9 district; any municipal housing and redevelopment authority  
10 organized under the provisions of sections 469.001 to 469.047;  
11 or any port authority organized under sections 469.048 to  
12 469.089; or any hospital district organized or reorganized prior  
13 to July 1, 1975, under sections 447.31 to 447.37 or the  
14 successor of the district, nor the Minneapolis community  
15 development agency.

16 Sec. 6. Minnesota Statutes 2000, section 353.026, is  
17 amended to read:

18 353.026 [COVERAGE FOR CERTAIN MUNICIPAL AND SCHOOL DISTRICT  
19 EMPLOYEES.]

20 Any person who was employed by the city of Minneapolis,  
21 ~~Special-School-District-No--17~~, or public corporation as defined  
22 in section 422A.01, subdivision 9, on or after July 1, 1978 and  
23 prior to July 1, 1979, and who was excluded from retirement  
24 coverage by the coordinated program of the Minneapolis municipal  
25 employees retirement fund pursuant to section 422A.09,  
26 subdivision 3, shall be entitled to retirement coverage by the  
27 public employees retirement association unless specifically  
28 excluded pursuant to section 353.01, subdivision 2b, from and  
29 after May 19, 1981.

30 Sec. 7. Minnesota Statutes 2000, section 353.03,  
31 subdivision 1, is amended to read:

32 Subdivision 1. [MANAGEMENT; COMPOSITION; ELECTION.] (a)  
33 The management of the public employees retirement fund is vested  
34 in an 11-member board of trustees consisting of ten members and  
35 the state auditor ~~who~~. The state auditor may designate a deputy  
36 auditor with expertise in pension matters as the auditor's

1 representative on the board.

2       **(b)** The governor shall appoint five trustees to four-year  
3 terms, one of whom shall be designated to represent ~~school~~  
4 ~~boards~~ townships and special districts, one to represent cities,  
5 one to represent counties, one who is a retired annuitant, and  
6 one who is a public member knowledgeable in pension matters.

7       **(c)** The membership of the association, including recipients  
8 of retirement annuities and disability and survivor benefits,  
9 shall elect five trustees, one of whom must be a member of the  
10 police and fire fund and one of whom must be a former member who  
11 met the definition of public employee under section 353.01,  
12 subdivisions 2 and 2a, for at least five years prior to  
13 terminating membership or a member who receives a disability  
14 benefit, for terms of four years. Except as provided in this  
15 subdivision, trustees elected by the membership of the  
16 association must be public employees and members of the  
17 association.

18       **(d)** For seven days beginning October 1 of each year  
19 preceding a year in which an election is held, the association  
20 shall accept at its office filings in person or by mail of  
21 candidates for the board of trustees. A candidate shall submit  
22 at the time of filing a nominating petition signed by 25 or more  
23 members of the fund. No name may be withdrawn from nomination  
24 by the nominee after October 15. At the request of a candidate  
25 for an elected position on the board of trustees, the board  
26 shall mail a statement of up to 300 words prepared by the  
27 candidate to all persons eligible to vote in the election of the  
28 candidate. The board may adopt policies to govern form and  
29 length of these statements, timing of mailings, and deadlines  
30 for submitting materials to be mailed. These policies must be  
31 approved by the secretary of state. The secretary of state  
32 shall resolve disputes between the board and a candidate  
33 concerning application of these policies to a particular  
34 statement.

35       **(e)** A candidate who:

36       (1) receives contributions or makes expenditures in excess

1 of \$100; or

2 (2) has given implicit or explicit consent for any other  
3 person to receive contributions or make expenditures in excess  
4 of \$100 for the purpose of bringing about the candidate's  
5 election, shall file a report with the campaign finance and  
6 public disclosure board disclosing the source and amount of all  
7 contributions to the candidate's campaign. The campaign finance  
8 and public disclosure board shall prescribe forms governing  
9 these disclosures. Expenditures and contributions have the  
10 meaning defined in section 10A.01. These terms do not include  
11 the mailing made by the association board on behalf of the  
12 candidate. A candidate shall file a report within 30 days from  
13 the day that the results of the election are announced. The  
14 campaign finance and public disclosure board shall maintain  
15 these reports and make them available for public inspection in  
16 the same manner as the board maintains and makes available other  
17 reports filed with it.

18 (f) By January 10 of each year in which elections are to be  
19 held the board shall distribute by mail to the members ballots  
20 listing the candidates. No member may vote for more than one  
21 candidate for each board position to be filled. A ballot  
22 indicating a vote for more than one person for any position is  
23 void. No special marking may be used on the ballot to indicate  
24 incumbents. The last day for mailing ballots to the fund is  
25 January 31. Terms expire on January 31 of the fourth year, and  
26 positions are vacant until newly elected members are qualified.  
27 The ballot envelopes must be so designed and the ballots counted  
28 in a manner that ensures that each vote is secret. The  
29 secretary of state shall supervise the elections.

30 (g) The board of trustees and the executive director shall  
31 undertake their activities consistent with chapter 356A.

32 Sec. 8. Minnesota Statutes 2000, section 353.27,  
33 subdivision 10, is amended to read:

34 Subd. 10. [EMPLOYER EXCLUSION REPORTS.] The head of a  
35 department shall annually furnish the executive director with an  
36 exclusion report listing only those employees in potentially

1 PERA-eligible positions who were not reported as members of the  
2 association and who worked during the ~~school-year-for-school~~  
3 ~~employees-and~~ calendar year ~~for-nonschool-employees~~. The  
4 department head must certify the accuracy and completeness of  
5 the exclusion report to the association. The executive director  
6 shall prescribe the manner and forms, including standardized  
7 exclusion codes, to be used by a governmental subdivision in  
8 preparing and filing exclusion reports. The executive director  
9 shall also check the exclusion report to ascertain whether any  
10 omissions have been made by a department head in the reporting  
11 of new public employees for membership. The executive director  
12 may delegate an association employee under section 353.03,  
13 subdivision 3a, paragraph (b), clause (5), to conduct a field  
14 audit to review the payroll records of a governmental  
15 subdivision.

16 Sec. 9. Minnesota Statutes 2000, section 353.28,  
17 subdivision 8, is amended to read:

18 Subd. 8. If the taxes authorized to be levied under this  
19 section cause the total amount of taxes levied to exceed any  
20 limitation upon the power of a county, city, or town, ~~or-school~~  
21 ~~district~~ to levy taxes, the governmental subdivision concerned,  
22 ~~if-it-is-other-than-a-school-district~~, may levy taxes in excess  
23 of the limitation in such amount as is necessary to meet its  
24 obligations under this section. The expenditures authorized to  
25 be made under this chapter by any municipality are not included  
26 in computing the cost of government as defined in any home rule  
27 charter of any municipality which employs members covered by the  
28 retirement fund.

29 Sec. 10. Minnesota Statutes 2000, section 354.05,  
30 subdivision 2, is amended to read:

31 Subd. 2. [TEACHER.] (a) "Teacher" means:

32 (1) a person who renders service as a teacher, supervisor,  
33 principal, superintendent, librarian, nurse, counselor, social  
34 worker, therapist, or psychologist in the public schools of the  
35 state located outside of the corporate limits of the cities of  
36 the first class or in the Minnesota state colleges and

1 universities system, or in any charitable, penal, or  
2 correctional institutions of a governmental subdivision, or who  
3 is engaged in educational administration in connection with the  
4 state public school system, including the Minnesota state  
5 colleges and universities system, but excluding the University  
6 of Minnesota, whether the position be a public office or an  
7 employment, not including members or officers of any general  
8 governing or managing board or body;

9 (2) an employee of the teachers retirement association  
10 unless the employee is covered by the Minnesota state retirement  
11 system due to prior employment by that system;

12 (3) a person who renders teaching service on a part-time  
13 basis and who also renders other services for a single employing  
14 unit. A person whose teaching service comprises at least 50  
15 percent of the combined employment salary is a member of the  
16 association for all services with the single employing unit. If  
17 the person's teaching service comprises less than 50 percent of  
18 the combined employment salary, the executive director must  
19 determine whether all or none of the combined service is covered  
20 by the association or;

21 (4) an employee of a common, independent, or special school  
22 district, an instrumentality of a school district, or a  
23 governmental entity that is comprised wholly of school districts  
24 who are not included in clause (1) other than a person who was a  
25 member of the Minneapolis employees retirement fund on March 1,  
26 2001.

27 (b) Teacher does not mean:

28 (1) a person who works for a school or institution as an  
29 independent contractor as defined by the Internal Revenue  
30 Service;

31 (2) a person employed in subsidized on-the-job training,  
32 work experience or public service employment as an enrollee  
33 under the federal Comprehensive Employment and Training Act from  
34 and after March 30, 1978, unless the person has, as of the later  
35 of March 30, 1978, or the date of employment, sufficient service  
36 credit in the retirement association to meet the minimum vesting

1 requirements for a deferred retirement annuity, or the employer  
2 agrees in writing on forms prescribed by the executive director  
3 to make the required employer contributions, including any  
4 employer additional contributions, on account of that person  
5 from revenue sources other than funds provided under the federal  
6 Comprehensive Training and Employment Act, or the person agrees  
7 in writing on forms prescribed by the executive director to make  
8 the required employer contribution in addition to the required  
9 employee contribution;

10 (3) a person holding a part-time adult supplementary  
11 technical college license who renders part-time teaching service  
12 or a customized trainer as defined by the Minnesota state  
13 colleges and universities system in a technical college if (i)  
14 the service is incidental to the regular nonteaching occupation  
15 of the person; and (ii) the applicable technical college  
16 stipulates annually in advance that the part-time teaching  
17 service or customized training service will not exceed 300 hours  
18 in a fiscal year and retains the stipulation in its records; and  
19 (iii) the part-time teaching service or customized training  
20 service actually does not exceed 300 hours in a fiscal year; or

21 (4) a person exempt from licensure under section 122A.30;

22 (5) a person who is employed by special school district No.  
23 1 and who was a member of the Minneapolis employees retirement  
24 fund on March 1, 2001;

25 (6) pipefitters and associated trades personnel employed by  
26 independent school district No. 625, St. Paul, with coverage by  
27 the pipefitters local 455 pension plan under a collective  
28 bargaining agreement who were either first employed after May 1,  
29 1997, or, if first employed before May 2, 1997, elected to be  
30 excluded under Laws 1997, chapter 241, article 2, section 12; or

31 (7) electrical workers, plumbers, carpenters, and  
32 associated trades personnel employed by independent school  
33 district No. 625, St. Paul, with coverage by the electrical  
34 workers local 110 pension plan, the united association plumbers  
35 local 34 pension plan, or the carpenters local 87 pension plan  
36 under a collective bargaining agreement who were either first

1 employed after May 1, 2000, or, if first employed before May 2,  
2 2000, elected to be excluded under Laws 2000, chapter 461,  
3 article 7, section 5.

4 Sec. 11. [354.411] [TRANSFER OF MEMBERSHIP; TRANSFER OF  
5 LIABILITIES, ASSETS, AND RELEVANT RECORDS.]

6 Subdivision 1. [MEMBERSHIP TRANSFER.] Unless excluded from  
7 membership under section 354.05, subdivision 2, active members  
8 of the general employees retirement plan of the public employees  
9 retirement association on June 30, 2001, who are employees of a  
10 common school district, an independent school district, a  
11 special school district, an instrumentality of a school  
12 district, or a governmental entity comprised wholly of school  
13 districts are active members of the teachers retirement  
14 association under this chapter on July 1, 2001, and are not  
15 active members of the general employees retirement plan of the  
16 public employees retirement association under chapter 353.

17 Subd. 2. [SERVICE CREDIT TRANSFER.] (a) For every person  
18 transferred under subdivision 1, all past allowable service  
19 credit in the general employees retirement plan of the public  
20 employees retirement association under section 353.01,  
21 subdivision 16, arising from school district or related  
22 employment is allowable and formula service credit under section  
23 354.05, subdivisions 13 and 25.

24 (b) The executive director of the public employees  
25 retirement association shall certify the amount of service  
26 credit transferred under paragraph (a) for each active member  
27 provided future retirement plan coverage under subdivision 1.

28 (c) Following the certification under paragraph (b),  
29 effective June 30, 2001, the applicable service credit of  
30 transferred members in the general employees retirement plan of  
31 the public employees retirement association cancels and is  
32 forfeited.

33 Subd. 3. [LIABILITY TRANSFER.] The liability to provide  
34 retirement coverage related to the service credit transferred  
35 under subdivision 2, paragraph (a), becomes the liability of the  
36 teachers retirement association as of July 1, 2001, and is no



1 longer the liability of the general employees retirement plan of  
 2 the public employees retirement association as of June 30,  
 3 2001. This liability transfer must be reflected in the  
 4 actuarial valuations of the teachers retirement association and  
 5 the general employees retirement plan of the public employees  
 6 retirement plan as of July 1, 2001 and every July 1, thereafter.

7 Subd. 4. [ASSET TRANSFER.] The executive director of the  
 8 public employees retirement association shall transfer from the  
 9 general employees retirement plan of the public employees  
 10 retirement association to the executive director of the teachers  
 11 retirement association assets, at market value, equal to 86.31  
 12 percent of the amount of actuarial accrued liabilities  
 13 transferred under subdivision 3. The executive director of the  
 14 teachers retirement association shall deposit the assets  
 15 transferred under this subdivision to the teachers retirement  
 16 fund. The transfer may not include a transfer of any amounts  
 17 payable or amounts receivable.

18 Subd. 5. [RECORDS TRANSFER.] The executive director of the  
 19 public employees retirement association shall transfer relevant  
 20 records relating to members transferred to teachers retirement  
 21 association retirement coverage under subdivision 1.

22 Subd. 6. [APPLICABILITY OF CLAIMS.] The teachers  
 23 retirement association is the successor in interest for all  
 24 claims related to members transferred under subdivision 1. The  
 25 teachers retirement association may assert any applicable  
 26 defense in any judicial proceeding which the public employees  
 27 retirement association would have otherwise been entitled to  
 28 assert with respect to claims related to members transferred  
 29 under subdivision 1.

30 Sec. 12. [EFFECTIVE DATE.]

31 Sections 1 through 11 are effective on June 30, 2001.

32 ARTICLE 2

33 ACTUARIAL VALUATION REQUIREMENT

34 CHANGES

35 Section 1. Minnesota Statutes 2000, section 356.215,  
 36 subdivision 1, is amended to read:

1 Subdivision 1. [DEFINITIONS.] (a) For the purposes of  
2 sections 3.85 and 356.20 to 356.23, each of the terms in the  
3 following paragraphs have the meaning given.

4 (b) "Actuarial valuation" means a set of calculations  
5 prepared by the actuary retained by the legislative commission  
6 on pensions and retirement if so required under section 3.85, or  
7 otherwise, by an approved actuary, to determine the normal cost  
8 and the accrued actuarial liabilities of a benefit plan,  
9 according to the entry age actuarial cost method and based upon  
10 stated assumptions including, but not limited to rates of  
11 interest, mortality, salary increase, disability, withdrawal,  
12 and retirement and to determine the payment necessary to  
13 amortize over a stated period any unfunded accrued actuarial  
14 liability disclosed as a result of the actuarial valuation of  
15 the benefit plan.

16 (c) "Approved actuary" means a person who is regularly  
17 engaged in the business of providing actuarial services and who  
18 has at least 15 years of service to major public employee  
19 pension or retirement funds or who is a fellow in the society of  
20 actuaries.

21 (d) "Entry age actuarial cost method" means an actuarial  
22 cost method under which the actuarial present value of the  
23 projected benefits of each individual currently covered by the  
24 benefit plan and included in the actuarial valuation is  
25 allocated on a level basis over the service of the individual if  
26 the benefit plan is governed by section 69.773 or over the  
27 earnings of the individual if the benefit plan is governed by  
28 any other law between the entry age and the assumed exit age,  
29 with the portion of this actuarial present value which is  
30 allocated to the valuation year to be the normal cost and the  
31 portion of this actuarial present value not provided for at the  
32 valuation date by the actuarial present value of future normal  
33 costs to be the actuarial accrued liability, with aggregation in  
34 the calculation process to be the sum of the calculated result  
35 for each covered individual and with recognition given to any  
36 different benefit formulas which may apply to various periods of

1 service.

2 (e) "Experience study" means a report providing experience  
3 data and an actuarial analysis of the adequacy of the actuarial  
4 assumptions on which actuarial valuations are based.

5 (f) "Current assets" means:

6 (1) for the July 1, 1999, actuarial valuation, the value of  
7 all assets at cost, including realized capital gains or losses,  
8 plus one-third of any unrealized capital gains or losses;

9 (2) for the July 1, 2000, actuarial valuation, the market  
10 value of all assets as of June 30, 2000, reduced by:

11 (i) 60 percent of the difference between the market value  
12 of all assets as of June 30, 1999, and the actuarial value of  
13 assets used in the July 1, 1999, actuarial valuation, and

14 (ii) 80 percent of the difference between the actual net  
15 change in the market value of assets between June 30, 1999, and  
16 June 30, 2000, and the computed increase in the market value of  
17 assets between June 30, 1999, and June 30, 2000, if the assets  
18 had increased at the percentage preretirement interest rate  
19 assumption used in the July 1, 1999, actuarial valuation;

20 (3) for ~~the~~ any actuarial valuation after July 1, 2001  
21 2000, actuarial-valuation, the market value of all assets as of  
22 the preceding June 30, 2001, reduced by:

23 ~~(i) 60 percent of the difference between the market value~~  
24 ~~of all assets as of June 30, 1999, and the actuarial value of~~  
25 ~~assets used in the July 1, 1999, actuarial valuation;~~

26 ~~(ii) 80 percent of the difference between the actual net~~  
27 ~~change in the market value of assets between June 30, 1999, and~~  
28 ~~June 30, 2000, and the computed increase in the market value of~~  
29 ~~assets between June 30, 1999, and June 30, 2000, if the assets~~  
30 ~~had increased at the percentage preretirement interest rate~~  
31 ~~assumption used in the July 1, 1999, actuarial valuation; and~~

32 ~~(iii) 80 percent of the difference between the actual net~~  
33 ~~change in the market value of assets between June 30, 2000, and~~  
34 ~~June 30, 2001, and the computed increase in the market value of~~  
35 ~~assets between June 30, 2000, and June 30, 2001, if the assets~~  
36 ~~had increased at the percentage preretirement interest rate~~

1 ~~assumption-used-in-the-July-17-20007-actuarial-valuation7~~  
2 ~~(4)-for-the-July-17-20027-actuarial-valuation7-the-market~~  
3 ~~value-of-all-assets-as-of-June-307-20027-reduced-by7~~  
4 ~~(i)-ten-percent-of-the-difference-between-the-market-value~~  
5 ~~of-all-assets-as-of-June-307-19997-and-the-actuarial-value-of~~  
6 ~~assets-used-in-the-July-17-19997-actuarial-valuation7~~  
7 ~~(ii)-40-percent-of-the-difference-between-the-actual-net~~  
8 ~~change-in-the-market-value-of-assets-between-June-307-19997-and~~  
9 ~~June-307-20007-and-the-computed-increase-in-the-market-value-of~~  
10 ~~assets-between-June-307-19997-and-June-307-20007-if-the-assets~~  
11 ~~had-increased-at-the-percentage-preretirement-interest-rate~~  
12 ~~assumption-used-in-the-July-17-19997-actuarial-valuation7~~  
13 ~~(iii)-60-percent-of-the-difference-between-the-actual-net~~  
14 ~~change-in-the-market-value-of-assets-between-June-307-20007-and~~  
15 ~~June-307-20017-and-the-computed-increase-in-the-market-value-of~~  
16 ~~assets-between-June-307-20007-and-June-307-20017-if-the-assets~~  
17 ~~had-increased-at-the-percentage-preretirement-interest-rate~~  
18 ~~assumption-used-in-the-July-17-20007-actuarial-valuation7-and~~  
19 ~~(iv)-80-percent-of-the-difference-between-the-actual-net~~  
20 ~~change-in-the-market-value-of-assets-between-June-307-20017-and~~  
21 ~~June-307-20027-and-the-computed-increase-in-the-market-value-of~~  
22 ~~assets-between-June-307-20017-and-June-307-20027-if-the-assets~~  
23 ~~had-increased-at-the-percentage-preretirement-interest-rate~~  
24 ~~assumption-used-in-the-July-17-20017-actuarial-valuation7-or~~  
25 ~~(5)-for-any-actuarial-valuation-after-July-17-20027-the~~  
26 ~~market-value-of-all-assets-as-of-the-preceding-June-307-reduced~~  
27  
28 ~~(i)-20-percent-of-the-difference-between-the-actual-net~~  
29 ~~change-in-the-market-value-of-assets-between-the-June-30-that~~  
30 ~~occurred-three-years-earlier-and-the-June-30-that-occurred-four~~  
31 ~~years-earlier-and-the-computed-increase-in-the-market-value-of~~  
32 ~~assets-over-that-fiscal-year-period-if-the-assets-had-increased~~  
33 ~~at-the-percentage-preretirement-interest-rate-assumption-used-in~~  
34 ~~the-actuarial-valuation-for-the-July-1-that-occurred-four-years~~  
35 ~~earlier7~~  
36 ~~(ii)-40-percent-of-the-difference-between-the-actual-net~~

1 ~~change-in-the-market-value-of-assets-between-the-June-30-that~~  
2 ~~occurred-two-years-earlier-and-the-June-30-that-occurred-three~~  
3 ~~years-earlier-and-the-computed-increase-in-the-market-value-of~~  
4 ~~assets-over-that-fiscal-year-period-if-the-assets-had-increased~~  
5 ~~at-the-percentage-preretirement-interest-rate-assumption-used-in~~  
6 ~~the-actuarial-valuation-for-the-July-1-that-occurred-three-years~~  
7 ~~earlier;~~

8 ~~(iii)-60-percent-of-the-difference-between-the-actual-net~~  
9 ~~change-in-the-market-value-of-assets-between-the-June-30-that~~  
10 ~~occurred-one-year-earlier-and-the-June-30-that-occurred-two~~  
11 ~~years-earlier-and-the-computed-increase-in-the-market-value-of~~  
12 ~~assets-over-that-fiscal-year-period-if-the-assets-had-increased~~  
13 ~~at-the-percentage-preretirement-interest-rate-assumption-used-in~~  
14 ~~the-actuarial-valuation-for-the-July-1-that-occurred-two-years~~  
15 ~~earlier;-and~~

16 ~~(iv)-80-percent-of-the-difference-between-the-actual-net~~  
17 ~~change-in-the-market-value-of-assets-between-the-immediately~~  
18 ~~prior-June-30-and-the-June-30-that-occurred-one-year-earlier-and~~  
19 ~~the-computed-increase-in-the-market-value-of-assets-over-that~~  
20 ~~fiscal-year-period-if-the-assets-had-increased-at-the-percentage~~  
21 ~~preretirement-interest-rate-assumption-used-in-the-actuarial~~  
22 ~~valuation-for-the-July-1-that-occurred-one-year-earlier.~~

23 (g) "Unfunded actuarial accrued liability" means the total  
24 current and expected future benefit obligations, reduced by the  
25 sum of current assets and the present value of future normal  
26 costs.

27 (h) "Pension benefit obligation" means the actuarial  
28 present value of credited projected benefits, determined as the  
29 actuarial present value of benefits estimated to be payable in  
30 the future as a result of employee service attributing an equal  
31 benefit amount, including the effect of projected salary  
32 increases and any step rate benefit accrual rate differences, to  
33 each year of credited and expected future employee service.

34 Sec. 2. Minnesota Statutes 2000, section 356.215,  
35 subdivision 4g, is amended to read:

36 Subd. 4g. [AMORTIZATION CONTRIBUTIONS.] (a) In addition to

1 the exhibit indicating the level normal cost, the actuarial  
2 valuation must contain an exhibit indicating the additional  
3 annual contribution sufficient to amortize the unfunded  
4 actuarial accrued liability. For funds governed by chapters 3A,  
5 352, 352B, 352C, 353, 354, 354A, and 490, the additional  
6 contribution must be calculated on a level percentage of covered  
7 payroll basis by the established date for full funding in effect  
8 when the valuation is prepared. For funds governed by chapter  
9 3A, sections 352.90 through 352.951, chapters 352B, 352C,  
10 sections 353.63 through 353.68, and chapters 353C, 354A, and  
11 490, the level percent additional contribution must be  
12 calculated assuming annual payroll growth of 6.5 percent. For  
13 funds governed by sections 352.01 through 352.86 and chapter  
14 354, the level percent additional contribution must be  
15 calculated assuming an annual payroll growth of five percent.  
16 For the fund governed by sections 353.01 through 353.46, the  
17 level percent additional contribution must be calculated  
18 assuming an annual payroll growth of six percent. For all other  
19 funds, the additional annual contribution must be calculated on  
20 a level annual dollar amount basis.

21 (b) For any fund other than the Minneapolis employees  
22 retirement fund and the general employee retirement plan of the  
23 public employees retirement association, after ~~the-first~~  
24 ~~actuarial-valuation-date-occurring-after~~ June 1, 1989, if there  
25 has not been a change in the actuarial assumptions used for  
26 calculating the actuarial accrued liability of the fund, a  
27 change in the benefit plan governing annuities and benefits  
28 payable from the fund, a change in the actuarial cost method  
29 used in calculating the actuarial accrued liability of all or a  
30 portion of the fund, or a combination of the three, which change  
31 or changes by themselves without inclusion of any other items of  
32 increase or decrease produce a net increase in the unfunded  
33 actuarial accrued liability of the fund, the established date  
34 for full funding for the first actuarial valuation made after  
35 June 1, 1989, and each successive actuarial valuation is the  
36 first actuarial valuation date occurring after June 1, 2020.

1 (c) Except as adjusted in paragraph (e), for any fund or  
2 plan other than the Minneapolis employees retirement fund, after  
3 the first actuarial valuation date occurring after June 1, 1989,  
4 if there has been a change in any or all of the actuarial  
5 assumptions used for calculating the actuarial accrued liability  
6 of the fund, a change in the benefit plan governing annuities  
7 and benefits payable from the fund, a change in the actuarial  
8 cost method used in calculating the actuarial accrued liability  
9 of all or a portion of the fund, or a combination of the three,  
10 and the change or changes, by themselves and without inclusion  
11 of any other items of increase or decrease, produce a net  
12 increase in the unfunded actuarial accrued liability in the  
13 fund, the established date for full funding must be determined  
14 using the following procedure:

15 (i) the unfunded actuarial accrued liability of the fund  
16 must be determined in accordance with the plan provisions  
17 governing annuities and retirement benefits and the actuarial  
18 assumptions in effect before an applicable change;

19 (ii) the level annual dollar contribution or level  
20 percentage, whichever is applicable, needed to amortize the  
21 unfunded actuarial accrued liability amount determined under  
22 item (i) by the established date for full funding in effect  
23 before the change must be calculated using the interest  
24 assumption specified in subdivision 4d in effect before the  
25 change;

26 (iii) the unfunded actuarial accrued liability of the fund  
27 must be determined in accordance with any new plan provisions  
28 governing annuities and benefits payable from the fund and any  
29 new actuarial assumptions and the remaining plan provisions  
30 governing annuities and benefits payable from the fund and  
31 actuarial assumptions in effect before the change;

32 (iv) the level annual dollar contribution or level  
33 percentage, whichever is applicable, needed to amortize the  
34 difference between the unfunded actuarial accrued liability  
35 amount calculated under item (i) and the unfunded actuarial  
36 accrued liability amount calculated under item (iii) over a

1 period of 30 years from the end of the plan year in which the  
2 applicable change is effective must be calculated using the  
3 applicable interest assumption specified in subdivision 4d in  
4 effect after any applicable change;

5 (v) the level annual dollar or level percentage  
6 amortization contribution under item (iv) must be added to the  
7 level annual dollar amortization contribution or level  
8 percentage calculated under item (ii);

9 (vi) the period in which the unfunded actuarial accrued  
10 liability amount determined in item (iii) is amortized by the  
11 total level annual dollar or level percentage amortization  
12 contribution computed under item (v) must be calculated using  
13 the interest assumption specified in subdivision 4d in effect  
14 after any applicable change, rounded to the nearest integral  
15 number of years, but not to exceed 30 years from the end of the  
16 plan year in which the determination of the established date for  
17 full funding using the procedure set forth in this clause is  
18 made and not to be less than the period of years beginning in  
19 the plan year in which the determination of the established date  
20 for full funding using the procedure set forth in this clause is  
21 made and ending by the date for full funding in effect before  
22 the change; and

23 (vii) the period determined under item (vi) must be added  
24 to the date as of which the actuarial valuation was prepared and  
25 the date obtained is the new established date for full funding.

26 (d) For the Minneapolis employees retirement fund, the  
27 established date for full funding is June 30, 2020.

28 (e) For the general employee retirement plan of the public  
29 employees retirement association, if the funding ratio of the  
30 plan is less than 93 percent, the established date for full  
31 funding may not be earlier than June 30, 2031. If the funding  
32 ratio of the plan is equal to or greater than 93 percent, the  
33 established date for full funding is as follows:

34 established date for full funding is  
35 July 1 of the applicable year  
36 funding ratio or July 1 of the subsequent year,



1 greater than less than whichever is later

2 93 94 2030

3 94 95 2029

4 95 96 2028

5 96 97 2027

6 97 98 2026

7 98 99 2025

8 99 2024

9 (f) For the retirement plans for which the annual actuarial  
10 valuation indicates an excess of valuation assets over the  
11 actuarial accrued liability, the valuation assets in excess of  
12 the actuarial accrued liability must be recognized as a  
13 reduction in the current contribution requirements by an amount  
14 equal to the amortization of the excess expressed as a level  
15 percentage of pay over a 30-year period beginning anew with each  
16 annual actuarial valuation of the plan.

17 Sec. 3. [EFFECTIVE DATE.]

18 Sections 1 and 2 are effective for actuarial valuations  
19 prepared on or after June 1, 2001.

20 ARTICLE 3

21 ADDITIONAL FUNDING SUPPORT FOR

22 PERA-GENERAL

23 Section 1. Minnesota Statutes 2000, section 352.04,  
24 subdivision 2, is amended to read:

25 Subd. 2. [EMPLOYEE CONTRIBUTIONS.] The employee  
26 contribution to the fund must be equal to ~~4.7~~ 3.55 percent of  
27 salary. These contributions must be made by deduction from  
28 salary as provided in subdivision 4.

29 Sec. 2. Minnesota Statutes 2000, section 352.04,  
30 subdivision 3, is amended to read:

31 Subd. 3. [EMPLOYER CONTRIBUTIONS.] The employer  
32 contribution to the fund must be equal to ~~4.7~~ 3.55 percent of  
33 salary.

34 Sec. 3. [353.275] [STATE AID FOR PERA-GENERAL.]

35 (a) Annually, on July 1, \$29,532,000, representing

1 \$24,532,000 recouped from state agency, pension plan, and  
2 education and appropriation reductions under sections 6 and 7  
3 and an additional \$5,000,000, is appropriated from the general  
4 fund to the commissioner of finance for transmittal to the  
5 executive director of the public employees retirement  
6 association.

7 (b) The state aid transmitted under paragraph (a) must be  
8 deposited in the public employees retirement fund upon receipt  
9 and credited as an asset of the general employees retirement  
10 plan of the public employees retirement association.

11 Sec. 4. Minnesota Statutes 2000, section 354.42,  
12 subdivision 2, is amended to read:

13 Subd. 2. [EMPLOYEE.] The employee contribution to the fund  
14 is an amount equal to ~~5%~~ 4.50 percent of the salary of every  
15 coordinated member and ~~9%~~ 8.50 percent of the salary of every  
16 basic member. This contribution must be made by deduction from  
17 salary. Where any portion of a member's salary is paid from  
18 other than public funds, the member's employee contribution must  
19 be based on the entire salary received.

20 Sec. 5. Minnesota Statutes 2000, section 354.42,  
21 subdivision 3, is amended to read:

22 Subd. 3. [EMPLOYER.] The employer contribution to the fund  
23 is an amount equal to ~~5%~~ 4.50 percent of the salary of each  
24 coordinated member and ~~9%~~ 8.50 percent of the salary of each  
25 basic member.

26 Sec. 6. [REDUCTION IN STATE AGENCY AND EDUCATION AID  
27 APPROPRIATIONS.]

28 (a) In fiscal years 2002 and 2003, the commissioner of  
29 finance shall reduce state agency and related entity general  
30 fund appropriations of employing units with employees covered by  
31 the general state employees retirement plan of the Minnesota  
32 state retirement system by 0.45 percent of the total covered  
33 salaries of employees covered by the general state employees  
34 retirement plan of the Minnesota state retirement system. The  
35 commissioner of finance shall include the reductions under this  
36 paragraph when developing the base budgets for affected

1 employing entities for submission with the governor's  
2 recommended budget for the biennium ending June 30, 2005.

3 (b) In fiscal years 2002 and 2003, the commissioner of  
4 children, families, and learning shall reduce state aid payments  
5 to school operating funds other than independent school district  
6 No. 625, independent school district No. 709, and special school  
7 district No. 1, by 0.50 percent of the total covered salaries of  
8 teachers covered by the teachers retirement association.

9 (c) In fiscal years 2002 and 2003, the commissioner of  
10 finance shall reduce general fund appropriations to the  
11 department of children, families, and learning and to the  
12 Minnesota state colleges and universities system by 0.5 percent  
13 of the total covered salaries of employees of those agencies  
14 covered by the teachers retirement association. The  
15 commissioner of finance shall include the reductions under this  
16 paragraph when developing the base budgets for affected  
17 employing entities for submission with the governor's  
18 recommended budget for the biennium ending June 30, 2005.

19 (d) For the biennium ending June 20, 2003, the projected  
20 general fund savings attributable to the reductions in  
21 paragraphs (a), (b), and (c) are as follows:

|                                 | <u>fiscal year</u> |                    |
|---------------------------------|--------------------|--------------------|
|                                 | <u>2002</u>        | <u>2003</u>        |
| 22 <u>paragraph (a)</u>         | <u>\$7,200,000</u> | <u>\$7,200,000</u> |
| 23 <u>paragraph (b) and (c)</u> | <u>14,100,000</u>  | <u>14,100,000</u>  |

24 Sec. 7. [REPEALER.]  
25 Minnesota Statutes 2000, section 422A.101, subdivision 3,  
26 is repealed.

27 Sec. 8. [EFFECTIVE DATE.]  
28 Sections 1 through 7 are effective July 1, 2001.

31 ARTICLE 4

32 MEMBERSHIP FINANCIAL SUPPORT

33 OF PERA-GENERAL

34 Section 1. Minnesota Statutes 2000, section 353.27,  
35 subdivision 2, is amended to read:

36 Subd. 2. [EMPLOYEE CONTRIBUTION.] (a) The employee  
37 contribution is an the following applicable percentage of total

1 ~~salary~~ amount ~~{1}~~ for a "basic member" ~~equal-to-8.75-percent-of~~  
 2 ~~total-salary;~~ and ~~{2}~~ for a "coordinated member" ~~equal-to-4.75~~  
 3 ~~percent-of-total-salary-:~~

|                                 | <u>basic program</u> | <u>coordinated program</u> |
|---------------------------------|----------------------|----------------------------|
| 5 <u>before July 1, 2001</u>    | 8.75                 | 4.75                       |
| 6 <u>effective July 1, 2001</u> | 8.85                 | 4.85                       |
| 7 <u>effective July 1, 2002</u> | 8.95                 | 4.95                       |

8 (b) These contributions must be made by deduction from  
 9 salary in the manner provided in subdivision 4. Where any  
 10 portion of a member's salary is paid from other than public  
 11 funds, such member's employee contribution must be based on the  
 12 total salary received from all sources.

13 Sec. 2. Minnesota Statutes 2000, section 353.27,  
 14 subdivision 3, is amended to read:

15 Subd. 3. [EMPLOYER CONTRIBUTION.] (a) The employer  
 16 contribution is an the following applicable percentage of total  
 17 salary amount equal-to-the-employee-contribution-under  
 18 subdivision-2-:

|                                     | <u>basic program</u> | <u>coordinated program</u> |
|-------------------------------------|----------------------|----------------------------|
| 19 <u>before January 1, 2002</u>    | 8.75                 | 4.75                       |
| 20 <u>effective January 1, 2002</u> | 8.85                 | 4.85                       |
| 21 <u>effective January 1, 2003</u> | 8.95                 | 4.95                       |

23 (b) This contribution must be made from funds available to  
 24 the employing subdivision by the means and in the manner  
 25 provided in section 353.28.

26 Sec. 3. [353.285] [RETIRED MEMBER ADMINISTRATIVE EXPENSE  
 27 ASSESSMENT.]

28 (a) To offset the administrative expenses related to  
 29 retired members for benefit counseling immediately before  
 30 retirement, the processing of retirement applications and  
 31 annuity selection forms at retirement, the verifying of  
 32 continued benefit eligibility, income tax withholding and  
 33 reporting, and retirement annuity or benefit processing and  
 34 payment, there is hereby imposed a retired member administrative  
 35 expense assessment.

36 (b) The retired member administrative expense assessment  
 37 applies to every recipient of a retirement annuity under section  
 38 353.29, an optional annuity form under section 353.30,  
 39 subdivision 3 or 353.33, subdivision 3b, a survivor benefit

1 under section 353.31, or a disability benefit under section  
2 353.33

3 (c) The retired member administrative expense assessment is  
4 0.70 percent of the annuity or benefit amount. The assessment  
5 is payable by deduction from the monthly annuity or benefit  
6 amount.

7 ARTICLE 5

8 PERA-GENERAL RETIREMENT PLAN

9 BENEFIT PLAN MODIFICATIONS

10 Section 1. Minnesota Statutes 2000, section 353.01, is  
11 amended by adding a subdivision to read:

12 Subd. 16b. [FORMULA SERVICE.] (a) "Formula service" means  
13 allowable service unless the public employee is employed on a  
14 part-time basis for less than 75 percent of full-time as defined  
15 by the employing unit and the definition is filed with the  
16 executive director or for less than 1560 hours if no definition  
17 is on file.

18 (b) If paragraph (a) does not apply, "formula service"  
19 means the percentage portion of the allowable service credit for  
20 the period that bears the same relationship to the full period  
21 that the number of hours of compensated employment bears to  
22 full-time employment as defined by the employing unit and on  
23 file with the executive director, but not less than 35 hours per  
24 week, or 2080 hours if no definition is on file.

25 Sec. 3. Minnesota Statutes 2000, section 353.01, is  
26 amended by adding a subdivision to read:

27 Sec. 3. Minnesota Statutes 2000, section 353.01, is  
28 amended by adding a subdivision to read:

29 Subd. 39. [COMPENSATED EMPLOYMENT HOURS.] "Compensated  
30 employment hours" means the hours during which an employee  
31 performs services in one or more positions for a single  
32 governmental subdivision for which the employee receives  
33 compensation. The term also includes paid holiday hours for  
34 which the employee is not required to work, paid used sick leave  
35 hours, paid used personal leave hours and vacation hours, and  
36 the paid hours drawn from accrued compensatory time.

1           Sec. 3. Minnesota Statutes 2000, section 353.27,  
2 subdivision 4, is amended to read:

3           Subd. 4. [EMPLOYER REPORTING REQUIREMENTS; CONTRIBUTIONS;  
4 MEMBER STATUS.] (a) A representative authorized by the head of  
5 each department shall deduct employee contributions from the  
6 salary of each employee who qualifies for membership under this  
7 chapter and remit payment in a manner prescribed by the  
8 executive director for the aggregate amount of the employee  
9 contributions, the employer contributions and the additional  
10 employer contributions to be received within 14 calendar days.  
11 The head of each department or the person's designee shall for  
12 each pay period submit to the association a salary deduction  
13 report in the format prescribed by the executive director. Data  
14 to be submitted as part of salary deduction reporting must  
15 include, but are not limited to:

16           (1) the legal names and social security numbers of  
17 employees who are members;

18           (2) the amount of each employee's salary deduction;

19           (3) the amount of salary from which each deduction was  
20 made;

21           (4) the beginning and ending dates of the payroll period  
22 covered and the date of actual payment; and

23           (5) adjustments or corrections covering past pay periods;  
24 and

25           (6) the number of compensated employment hours of each  
26 employee during the payroll period.

27           (b) Employers must furnish the data required for enrollment  
28 for each new employee who qualifies for membership in the format  
29 prescribed by the executive director. The required enrollment  
30 data on new employees must be submitted to the association prior  
31 to or concurrent with the submission of the initial employee  
32 salary deduction. The employer shall also report to the  
33 association all member employment status changes, such as leaves  
34 of absence, terminations, and death, and the effective dates of  
35 those changes, on an ongoing basis for the payroll cycle in  
36 which they occur. The employer shall furnish data, forms, and

1 reports as may be required by the executive director for proper  
2 administration of the retirement system. Before implementing  
3 new or different computerized reporting requirements, the  
4 executive director shall give appropriate advance notice to  
5 governmental subdivisions to allow time for system modifications.

6 (c) Notwithstanding paragraph (a), the association may  
7 provide for less frequent reporting and payments for small  
8 employers.

9 Sec. 4. Minnesota Statutes 2000, section 353.27,  
10 subdivision 11, is amended to read:

11 Subd. 11. [EMPLOYERS; REQUIRED TO FURNISH REQUESTED  
12 INFORMATION.] All governmental subdivisions shall furnish  
13 promptly such other information relative to the employment  
14 status of all employees or former employees, including but not  
15 limited to payroll abstracts pertaining to all past and present  
16 employees, as may be requested by the association or its  
17 executive director, including schedules of salaries applicable  
18 to various categories of employment, and the number of actual or  
19 estimated compensated employment hours. In the event payroll  
20 abstract records have been lost or destroyed, for whatever  
21 reason or in whatever manner, so that such schedules of salaries  
22 cannot be furnished therefrom, the employing governmental  
23 subdivision, in lieu thereof, shall furnish to the association  
24 an estimate of the earnings of any employee or former employee  
25 for any period as may be requested by the association or its  
26 executive director. Should the association receive such  
27 schedules of estimated earnings, the executive director is  
28 hereby authorized to use the same as a basis for making whatever  
29 computations might be necessary for determining obligations of  
30 the employee and employer to the retirement fund. If estimates  
31 are not furnished by the employer pursuant to the request of the  
32 association or its executive director, the association may  
33 estimate the obligations of the employee and employer to the  
34 retirement fund based upon such records as are in its  
35 possession. Where payroll abstracts have been lost or  
36 destroyed, the governmental agency need not furnish any

1 information pertaining to employment prior to July 1, 1963. The  
2 association shall make no estimate of any obligation of any  
3 employee, former employee, or employer covering employment prior  
4 to July 1, 1963.

5 Sec. 5. Minnesota Statutes 2000, section 353.29,  
6 subdivision 2, is amended to read:

7 Subd. 2. [AVERAGE SALARY.] In calculating the annuity  
8 under subdivision 3, "average salary" means an amount equivalent  
9 to the average of a member's highest salary upon which employee  
10 contributions were paid for any five successive years of  
11 ~~allowable~~ formula service, based on dates of salary periods as  
12 listed on salary deduction reports. Average salary must be  
13 based upon all ~~allowable~~ formula service if this service is less  
14 than five years. The average salary may not include any reduced  
15 salary paid during a period in which the employee is entitled to  
16 benefit payments from workers' compensation for temporary  
17 disability, unless the average salary is higher, including this  
18 period.

19 Sec. 6. Minnesota Statutes 2000, section 353.29,  
20 subdivision 3, is amended to read:

21 Subd. 3. [RETIREMENT ANNUITY FORMULA.] (a) This paragraph,  
22 in conjunction with section 353.30, subdivisions 1, 1a, 1b, and  
23 1c, applies to any member who first became a public employee or  
24 a member of a pension fund listed in section 356.30, subdivision  
25 3, before July 1, 1989, unless paragraph (b), in conjunction  
26 with section 353.30, subdivision 5, produces a higher annuity  
27 amount, in which case paragraph (b) will apply. The average  
28 salary as defined in subdivision 2, multiplied by the percent  
29 specified in section 356.19, subdivision 3, for each year  
30 of ~~allowable~~ formula service for the first ten years and  
31 thereafter by the percent specified in section 356.19,  
32 subdivision 4, per year of ~~allowable~~ formula service and  
33 completed months less than a full year for the "basic member,"  
34 and the percent specified in section 356.19, subdivision 1, for  
35 each year of ~~allowable~~ formula service for the first ten years  
36 and thereafter by the percent specified in section 356.19,



1 subdivision 2, per year of ~~allowable~~ formula service and  
2 completed months less than a full year for the "coordinated  
3 member," shall determine the amount of the "normal" retirement  
4 annuity.

5 (b) This paragraph applies to a member who has become at  
6 least 55 years old and first became a public employee after June  
7 30, 1989, and to any other member whose annuity amount, when  
8 calculated under this paragraph and in conjunction with section  
9 353.30, subdivision 5, is higher than it is when calculated  
10 under paragraph (a), in conjunction with section 353.30,  
11 subdivisions 1, 1a, 1b, and 1c. The average salary, as defined  
12 in subdivision 2, multiplied by the percent specified in section  
13 356.19, subdivision 4, for each year of ~~allowable~~ formula  
14 service and completed months less than a full year for a basic  
15 member and the percent specified in section 356.19, subdivision  
16 2, per year of ~~allowable~~ formula service and completed months  
17 less than a full year for a coordinated member, shall determine  
18 the amount of the normal retirement annuity.

19 Sec. 7. Minnesota Statutes 2000, section 353.31,  
20 subdivision 1, is amended to read:

21 Subdivision 1. [BENEFITS FOR SURVIVING SPOUSE AND  
22 DEPENDENT CHILDREN; BEFORE RETIREMENT.] Upon the death of a  
23 basic member before retirement or upon the death of a basic  
24 member who was disabled and receiving disability benefits under  
25 section 353.33 at the time of death who has had at least 18  
26 months of credited allowable service, the surviving spouse and  
27 dependent child or children of the member, as defined in section  
28 353.01, subdivisions 15 and 20, are entitled to receive the  
29 monthly benefit provided below:

|                             |                                      |
|-----------------------------|--------------------------------------|
| 30 (a) Surviving spouse     | 50 percent of the member's           |
| 31                          | monthly average salary in            |
| 32                          | effect over the last full            |
| 33                          | six months of <del>allowable</del>   |
| 34                          | <u>formula</u> service preceding the |
| 35                          | month in which death occurred        |
| 36 (b) Each dependent child | 10 percent of the member's           |

1 monthly average salary in  
2 effect over the last full  
3 six months of ~~allowable~~  
4 formula service preceding the  
5 month in which death occurred  
6 Notwithstanding the definition of surviving spouse under section  
7 353.01, subdivision 20, a former spouse of the member, if any,  
8 is entitled to a portion of the monthly surviving spouse benefit  
9 if stipulated under the terms of a marriage dissolution decree  
10 that is filed with the association. If there is no surviving  
11 spouse or child or children, a former spouse may be entitled to  
12 a lump-sum refund payment under section 353.32, subdivision 1,  
13 if provided for in a marriage dissolution decree but not a  
14 monthly surviving spouse benefit even if required by the decree.

15 Sec. 8 Minnesota Statutes 2000, section 353.33, subdivision  
16 3, is amended to read:

17 Subd. 3. [COMPUTATION OF BENEFITS.] This disability  
18 benefit is an amount equal to the normal annuity payable to a  
19 member who has reached normal retirement age with the same  
20 number of years of ~~allowable~~ formula service and the same  
21 average salary, as provided in section 353.29, subdivisions 2  
22 and 3.

23 A basic member shall receive a supplementary monthly  
24 benefit of \$25 to age 65 or the five-year anniversary of the  
25 effective date of the disability benefit, whichever is later.

26 If the disability benefits under this subdivision exceed  
27 the average salary as defined in section 353.29, subdivision 2,  
28 the disability benefits must be reduced to an amount equal to  
29 said average salary.

30 Sec. 9. [EFFECTIVE DATE.]

31 Sections 1 through 8 are effective on July 1, 2001.

32 ARTICLE 6  
33 ADMINISTRATIVE AND STRUCTURAL  
34 MATTERS

35 Section 1. [IMPLEMENTATION PLAN; MAJOR STATEWIDE  
36 RETIREMENT SYSTEM ADMINISTRATIVE SERVICES CONSOLIDATION.]

1 (a) Based on the July 15, 2001, report required under Laws  
2 1999, chapter 222, article 22, section 5, the executive  
3 directors of the Minnesota state retirement system, the public  
4 employees retirement association, and the teacher retirement  
5 association jointly shall prepare a report detailing the  
6 implementation steps that would be necessary to consolidate the  
7 administrations of the three systems into a single  
8 administrative structure if the legislature subsequently  
9 determines that such a consolidation would be in the best  
10 interests of the state, its taxpayers, and its public employees.

11 (b) The report must include the draft proposed legislation  
12 that would be required to effect an administrative consolidation  
13 as well as a detailed schedule and timetable of the completion  
14 steps for a consolidation.

15 (c) The report must be filed by February 15, 2002, with the  
16 chair of the legislative commission on pensions and retirement,  
17 the chair of the senate committee on state and local  
18 governmental operations, and the chair of the house committee on  
19 governmental operations and veterans affairs policy.

20 Sec. 2. [IMPLEMENTATION PLAN; AGGREGATION OF TEACHER  
21 RETIREMENT PLANS.]

22 (a) The executive director of the teachers retirement  
23 association, the secretary of the Duluth teachers retirement  
24 fund association, the executive director of the Minneapolis  
25 teachers retirement fund association, and the secretary of the  
26 St. Paul teachers retirement fund association jointly shall  
27 prepare a report detailing the implementation steps that would  
28 be necessary to aggregate the benefit plans, retirement funds,  
29 and governance structures of the four teacher retirement plans  
30 into a single Minnesota public education employees retirement  
31 plan and system if the legislature subsequently determines that  
32 such an aggregation would be in the best interests of the state,  
33 its taxpayers, and the public education community.

34 (b) The report must include the draft proposed legislation  
35 that would be required to effect the public education employees  
36 retirement plan and system aggregation as well as a detailed

1 schedule and timetable of the completion steps for an  
2 aggregation.

3 (c) The report must be filed by February 15, 2002, with the  
4 chair of the legislative commission on pensions and retirement,  
5 the chair of the senate committee on state and local  
6 governmental operations, and the chair of the house committee on  
7 governmental operations and veterans affairs policy.

8 Sec. 3. [EFFECTIVE DATE.]

9 Sections 1 and 2 are effective on the day following final  
10 enactment.

11 Amend the title accordingly